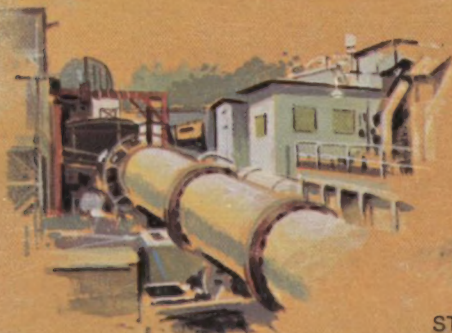


1973 Annual Report



United States Steel Corporation

CLEVELAND PUBLIC LIBRARY
BUSINESS INT. DIV.
CORPORATION (141) 353



CEMENT



PLASTICS



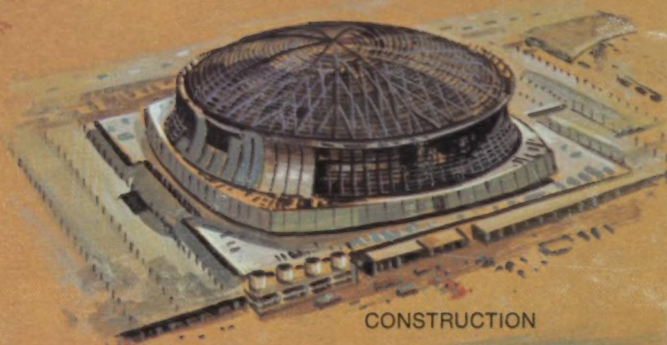
CHEMICALS



CONSULTING SERVICES



People make the difference



CONSTRUCTION



REALTY, LEASING AND FINANCE



BUILDING PRODUCTS



AGRICULTURAL CHEMICALS

The Cover

U. S. Steel is many things, but most of all it is people engaged in a diversity of activities. Although our largest single activity is steel, raw materials and other businesses are growing rapidly. Whether operating giant steel mills, constructing a Superdome, installing residential siding or selling fertilizers, people really do make the difference.

Contents

At a Glance	1
To the Stockholders	2
United States Steel/1973 in Review	
Operating Highlights	4
Steel Products and Markets	5
Chemicals	7
Other Materials	8
Other Products and Services	8
Investments in Other Companies	9
New Steel Labor Agreement	11
Safety	11
Productivity	12
Research	13
Capital Spending	14
Environmental Control	16
Energy Use and Conservation	16
Reorganization	17
Steel and the	
Economic Environment	18
Financial Statements	20
Combined Pension Trusts	30
Organization	32

In this Report, amounts in round numbers are approximate. "U. S. Steel" refers to parent corporation, subsidiaries, or both, as required by context. USS is a registered trademark of U. S. Steel.

The 1974 ANNUAL STOCKHOLDERS' MEETING will be held at Chicago, Illinois in The Conrad Hilton Hotel, Monday, May 6, 1974 at 10:00 a.m.

At right:

Hot molten steel pouring from one of the two modern, high-powered 200-ton electric furnaces at Fairless Works (Pa.). Long-time steelmakers' heads still turn to watch this sight, one of the most dramatic and colorful scenes in industry.





The Year 1973 for U.S. Steel—At a Glance

		1973	1972
Sales and Revenues	Amount	\$7,044.7 million	\$5,443.4 million
Income	Amount		
	Before taxes on income	\$ 503.8 million	\$ 201.0 million
	Provision for taxes on income	178.0 million	44.0 million
	After taxes	\$ 325.8 million	\$ 157.0 million
	Per common share	\$ 6.01	\$ 2.90
	Return on sales	4.6 percent	2.9 percent
Dividends and Income Reinvested	Declared on common	\$ 92.1 million	\$ 86.7 million
	Per common share	\$ 1.70	\$ 1.60
	Income reinvested	\$ 233.7 million	\$ 70.3 million
Taxes	Total tax payments (incl. social security)	\$ 434.8 million	\$ 312.9 million
Steel Production and Shipments	Raw steel produced-NT	35.0 million	30.7 million
	Index (1967=100)	113.2	99.2
	Steel products shipped-NT	26.1 million	20.8 million
Plant and Equipment Expenditures	Spent in year	\$ 435.5 million	\$ 412.8 million
	Unexpended at year-end	\$ 760.0 million	\$ 710.0 million
Working Capital	At year-end	\$ 582.9 million	\$ 556.4 million
Marketable Securities Set Aside for Plant and Equipment Expenditures	At year-end	\$ 255.0 million	\$ 255.0 million
Total Long-Term Debt	At year-end	\$1,464.1 million	\$1,552.5 million
Ownership—Stock and Income Reinvested	At year-end	\$3,811.2 million	\$3,577.5 million
Stockholders	Number	311,088	325,470
Employees and Employment Cost	Average number for year	184,794	176,486
	Average hourly cost	\$ 7.86	\$ 7.34

To the Stockholders

U. S. Steel had record shipments and sales during 1973. Income after taxes amounted to \$325.8 million, or \$6.01 per common share on sales of \$7.0 billion. Income for 1972 was \$157.0 million, or \$2.90 per share on sales of \$5.4 billion. Although shipments of many products were at record levels in 1973, income, while improved substantially from the level of recent years, was well below that earned in prior periods of comparable volume. Income for the year was a return of 4.6% on sales, or about one-half the rate earned in those prior periods.

Dividends totalling \$1.70 per share of common stock were declared for the year, consisting of declarations of 40 cents each in April, in July and in October 1973, and 50 cents in January 1974.

Steel shipments for the year were 26.1 million net tons compared with 20.8 million net tons in 1972. The improved income in 1973 resulted from the increased volume, with fixed costs spread over more tonnage and the accompanying short-term gains in productivity. In addition, there were improvements in efficiency, particularly from the new facilities installed in recent years.

The demand for nearly all our product lines increased significantly over 1972. Worldwide and domestic consumption of steel was at all-time record levels in 1973. U. S. Steel operated many of its facilities at the highest practicable levels during most of 1973 to help meet the unprecedented demand. In addition, inventories of most steelmaking materials and steel products were reduced.

Steel price increases have been limited since the start of economic controls in August 1971; they have only partially covered actual cost increases which have been far in excess of sustainable long-term gains in productivity. Rapidly rising sales volume, with attendant short-term gains in productivity, have obscured this fact. Actually, by the end of 1973, steel prices should have been some 6% higher than they were just to recover cost increases already incurred during the controls period. Future shortages of steel and other goods and services can only be avoided by a prompt return to a free-market system which has served our nation so well throughout its history.

With worldwide shortages of steel and higher prices realizable in other countries, foreign producers shipped 14% or 2.5 million tons less steel to the U. S. than in 1972. When demand is high abroad, recent experience has shown that foreign steel is only available to American consumers at prices well above those prevailing in this country. Conversely, when world demand is slack, foreign steel, in many cases produced by companies which are government-owned or controlled, is available for export to this country at unrealistically low prices.

In the best interest of both American steel producers and consumers, the climate for investment in the domestic steel industry must be improved; otherwise, added employment and investment opportunities will develop abroad rather than in this country.

On January 25, 1974 the Cost of Living Council granted what was for U. S. Steel only a very nominal increase in pricing authority on steel products against the substantial cost increase incurred since September 1972 as prenotified in November 1973 under Phase IV rules. It also held in abeyance any further action on an additional prenotification submitted in January 1974. In hearings relative to the extension, modification or termination of the Economic Stabilization Act before a subcommittee of the Senate Committee on Banking, Housing and Urban Affairs on February 6, the Administration recommended the elimination of the mandatory controls program except for health care and petroleum and indicated the intention to continue its program of gradual decontrol of the economy through April 30, 1974. U. S. Steel has filed with the same subcommittee a statement which lends strong support to the position that the controls program has become counter-productive and should be allowed to terminate on April 30, 1974.

Important gains were made in 1973 toward solving the traditional three-year boom-bust cycles in steel operations and employment caused by fear of a national strike at the expiration of the labor contract. An Experimental Negotiating Agreement was reached in 1973 by ten of the nation's major steel producing companies and the United Steelworkers Union, designed to avoid industry-wide work stoppages or lockouts through July 1977. This

Edgar B. Speer
Chairman of the Board
and Chief Executive Officer



agreement should provide more stable employment for steelworkers, improve operating efficiencies and prevent foreign steelmakers from taking advantage of strike threats by making additional inroads into U. S. markets.

As we move into 1974, U. S. Steel shares the concern about the energy shortage and the substantial increased cost of it which confronts this nation and most of the world. While more self-sufficient in energy than most companies, we will continue both our search for more effective means of utilizing the energy now available and the development of new sources.

Assuming the energy problem is approached and resolved in a reasonable manner, the near-term market outlook is for continuation of high demand for nearly all our products. The longer-term outlook is also quite promising. Demand for steel is expected to grow at about 3% per year—compared with an average of 2% per year over the past two decades. The demand for many of our other products is expected to grow at much faster rates. Part of this growth in markets will be served by new and modernized facilities now in operation and others under construction. These new facilities, along with an expanded raw materials base, will provide U. S. Steel with productive capability to support a somewhat higher level of shipments than was attained in 1973.

IN MEMORIAM

It is with deep sorrow that there is here recorded the death, on January 2, 1974, of Robert C. Tyson, former Chairman of the Finance Committee of U. S. Steel as well as a director from 1952 until his death. Mr. Tyson was widely known for his expertise in the fields of finance and accounting. He was an eloquent exponent of the free enterprise system and an active participant in community and civic affairs, as well as in service to his country.

It is also with deep sorrow that the death during 1973 of H. I. Romnes, a director since 1966, as well as a member of several committees of the Board, is recorded. Mr. Romnes had a distinguished career with American Telephone and Telegraph Company.

While some increased production of steel will result from elimination of production bottlenecks in existing facilities, expected levels of future steel demand cannot be met by American producers without major facility replacement and expansion requiring substantial new capital investment. U. S. Steel will be able to justify and finance the expansion of steelmaking capacity only if prospective profitability of new steel facilities improves to competitive levels of return.

To benefit more fully from market opportunities and to improve profitability, certain management functions were realigned effective January 1, 1974. (Details are on page 17.)

Our corporate plans for the future are five-fold: To utilize fully our company's foremost asset—our people; to encourage and recognize individual accomplishment toward improving products and profits; to make more intensive use of existing physical resources, including our extensive raw materials reserves and land holdings; to concentrate on areas of high growth and profit potential in steel, industrial and agricultural chemicals, cement or in any other area where we have technological expertise or an advantageous market position; and to continue to discharge our social responsibilities in such fields as environment, safety and equal employment practices.

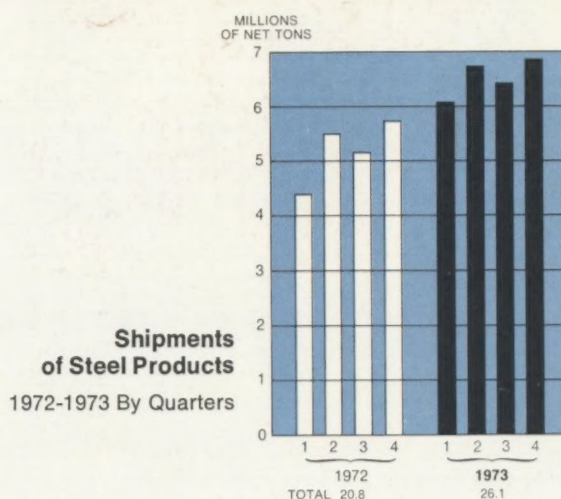
While aggressively pursuing profitmaking opportunities, it will be our purpose to better serve our customers, our stockholders, our employees and the public at large. Without reasonable profits, we cannot fulfill our obligations to any of them. We look to the future with great expectations.

Edgar B. Speer

Chairman, Board of Directors

February 26, 1974

United States Steel/1973 in Review



Operating Highlights

Shipments of steel products, cement, iron ore and industrial and agricultural chemicals were at record levels in 1973. Steel product shipments of 26.1 million tons exceeded the 1972 total of 20.8 million tons by 25.5%. Shipments of 85.3 million tons by the balance of the industry were also a record and exceeded 1972 shipments by 20%.

Raw steel production was 35.0 million tons compared with 30.7 million in 1972. New facilities recently placed in operation and those for which construction is now nearing completion will provide U. S. Steel with added

raw steel capable of supporting somewhat higher levels of shipments than those of 1973.

One source of the expected additional steel will be our new Q-BOP (bottom-blown basic oxygen process) facilities. The three-furnace Q-BOP shop at Gary (Ind.), the world's first large-scale use of this process, started operations in early 1973. With shortages of hot metal (molten iron) from blast furnaces coupled with break-in of the facility, production was less than design capacity. A huge new blast furnace, having hearth diameter of 40 feet, was completed and placed in operation in early 1974. We are confident that when sufficient hot metal is available, the Q-BOP steelmaking facilities will attain design capacity, marking the entire replacement of Gary's open hearth steelmaking capacity and elimination of the air pollution problem from steelmaking at Gary. Raw steel production at Fairfield (Ala.) has also been restricted during the construction period of a new two-furnace Q-BOP shop, which is expected to start operations in mid-1974.

Additional iron and steel production will be supported by two new coal mines, one located in southwestern Pennsylvania and the other in central Alabama; these are scheduled to be on stream in 1974 and ultimately are expected to produce seven million tons of metallurgical quality coal annually. A third new coal mine in southwestern Pennsylvania is being developed primarily under special arrangements not involving U. S. Steel's credit. The new mine will start up in 1976 and will supply three million tons of steam coal per year for a period of 30 years to Ontario Hydro. Ontario Hydro is the main connecting utility between Ontario and the United States and interchanges power with the northeastern U. S. power pool. This has been of considerable value to the U. S. in the energy shortage.

The Minntac taconite plant in Minnesota

Receipts and Their Disposition in 1973

	Total Dollars in Millions	Dollars per Employee*	Dollars per Man-Hour*
Receipts from customers—the public	\$7,044.7	\$38,685	\$20.00
Disposed of as follows:			
Employment costs—U. S. Steel's direct employment	2,769.8	15,210	7.86
Products and services bought—Provides employment by suppliers and by their suppliers in turn	3,164.4	17,377	8.98
Wear and exhaustion—Provides employment by suppliers of new plants and equipment and by their suppliers in turn	358.0	1,966	1.02
Taxes—Provides revenue for governments	330.6	1,815	.94
Interest—Compensation for savings loaned	96.1	528	.27
Dividends—Compensation for savings invested	92.1	506	.26
Income reinvested in business	233.7	1,283	.67
Total	\$7,044.7	\$38,685	\$20.00

*Excluding employees (1.5 percent of total) the cost of whose work was charged to construction.



Vast iron ore reserves are for own use and world markets: Mt. Wright due to start up in early 1975, Fire Lake in initial development and Lac Jeannine nearing depletion.



Above: New Q-BOP steelmaking facility at Gary (Ind.) is clean (doors are normally closed) and fast. Below: Also at Gary, the nation's largest operating blast furnace started up in early 1974.

increased production again in 1973. The original facilities placed in operation in 1967 are producing about 50% above original design capacity. The additional facilities started operating in the summer of 1972 and attained full production in 1973.

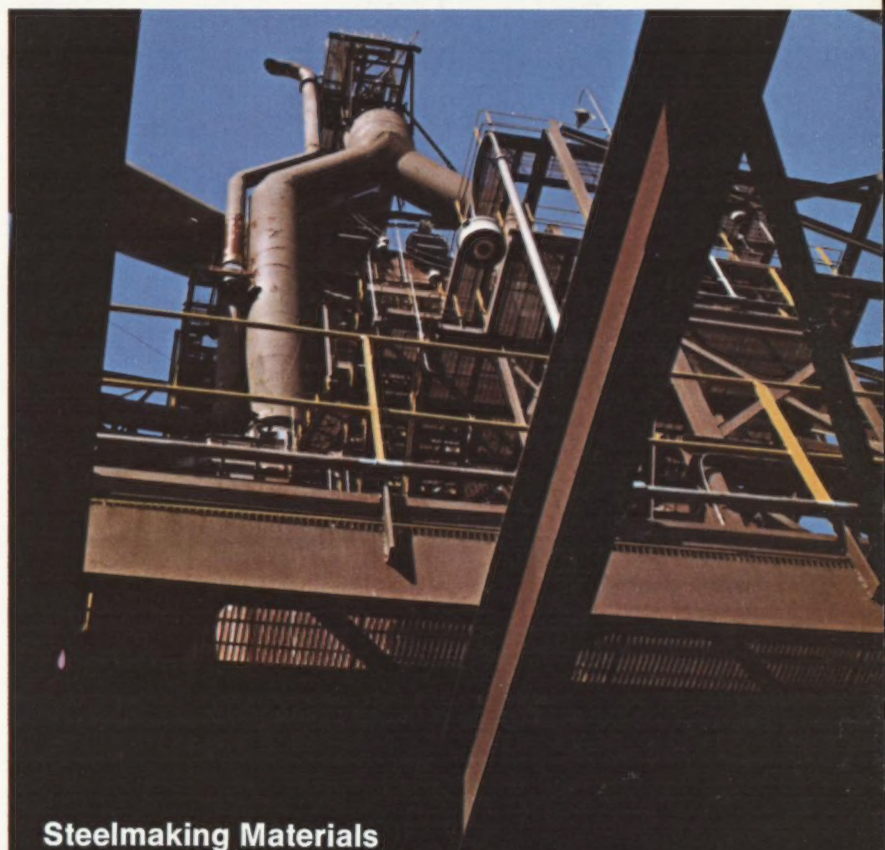
Start-up of the Mt. Wright iron ore mine in Quebec, Canada, by Quebec Cartier Mining Company, a wholly-owned subsidiary, has been delayed in construction. With the railroad fully constructed, the townsite well under construction and installation of the concentrator progressing, initial operations are now anticipated early in 1975.

Steel Products and Markets

Economic activity in the U. S. during 1973 required virtually full utilization of the nation's available resources. New production highs were set by the nation's automotive, machinery, construction, appliance, furniture and container industries. Activity in the railroad and oil and gas drilling industries started slowly but picked up substantially during the last half of the year.

In the steel industry, the demand for flat rolled products for consumer goods remained strong all year, while demand for heavier steels for plant and equipment construction started more slowly but became stronger as the year progressed. Steel demand was further increased by the needs of customers to add to their inventories of materials as their business volume increased, as well as to offset decreased availability of imported steel.

Revenues from products and services sold were \$7.0 billion in 1973, some 29% higher than 1972. As indicated in the accompanying chart, some 68.7% of these revenues in 1973 were derived from the sale of steel and related products shipped direct from mills and 14.4%



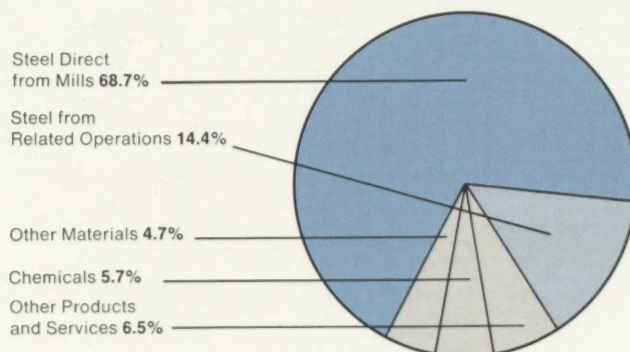
Steelmaking Materials

U. S. Steel produces substantially all of the iron ore and limestone and two-thirds of the coal used in its steelmaking operations, as well as quantities for sale to others.

	Production (Thousands of Net Tons)		% Sold to Others	
	1973	1972	1973	1972
Coking Coal	16,259	16,499	2%	3%
Limestone	27,735	25,024	35%	33%
Iron Ore—Natural and Agglomerated				
Mesabi and Western Ore Operations	26,446	21,355		
Orinoco Mining Company	21,937	17,269		
Quebec Cartier Mining Company ...	10,373	7,031*		
Total	58,756	45,655	28%	28%

*Production reduced by strike.

**U. S. Steel's Sales to Customers
(Products and Services Sold)
1973**



Steel includes shipments of steel and related products made to customers directly from mills, as well as steel products and associated processing, fabricating and erecting services marketed through related operations. Other Materials include sales of mined materials, primarily iron ore, coal and limestone and of manufactured materials, principally cement. Chemicals include agricultural and industrial chemicals, tar products and plastics. Other Products and Services include transportation services, home building products, machinery and equipment, engineering and consulting services, real estate and miscellaneous other items.

from steel products and associated processing, fabricating and erecting services marketed through related operations. This compares with 68.7% from direct mill shipments and 13.8% from other steel revenues in 1972.

United States Steel Supply Division processes and markets many of our steel products through a nationwide network of steel service centers. Shipments and sales volume for 1973 were the highest in the 64-year history of the division and operating results were impressive.

American Bridge Division fabricates and builds bridges, buildings, barges, ship sections, large diameter pipe and other steel products including corrugated pipe for drainage and storage tanks and pressure vessels for water, chemicals, gasoline and various other fuels. Major projects completed in 1973 included steelwork for the world's tallest building, Sears Tower (Chicago); the structural steel framework for the world's largest covered stadium, the New Orleans Superdome; and

steelwork for the parallel span of the Chesapeake Bay Bridge.

U. S. Steel Products Division produces and markets steel pails and a wide variety of steel drums which are used for transportation and storage of oils, greases, chemicals, paints and many other materials and also markets multi-purpose plastic containers made by USS Chemicals. The division improved its sales and operating results in 1973.

Oilwell Division markets a complete line of products and services to the oil and gas industry in the U. S. and abroad. It maintains branch stores at strategic locations in the U. S. and Canada and through USS International in Scotland and Australia. The division also manufactures a wide range of oil field drilling and pumping equipment. Oilwell's sales and operating results in 1973 were improved over recent years. The division operated its facilities at maximum levels, continued to upgrade and improve its products and expanded its

U. S. Steel's revenues from steel and related products and associated processing, fabricating and erecting services are distributed by consuming markets and product grouping, as set forth below:

Sales of Steel and Related Products by Consuming Markets

	1973	1972
Domestic Markets		
Steel Service Centers	22%	19%
Construction	21	21
Transportation (incl. Automotive) ..	17	17
Containers	10	11
Machinery	8	9
All Other (incl. Steel Related Products)	17	18
Export Markets	5	5
Total	100%	100%

Sales of Steel and Related Products by Product Grouping

	1973	1972
Sheet, Strip and Tin Mill Products ...	36%	35%
Plates, Structural and Piling	18	18
Bars and Rods	15	15
Pipe and Tubing	12	13
All Other Steel and Related Products .	19	19
Total	100%	100%



Functional and attractive: Steel drums, pails and plastic containers such as these are marketed by United States Steel Products Division to industrial customers throughout the nation.

line of pumps. These efforts should help in the crucial search for new sources of energy.

U. S. Steel has made arrangements for construction of a new facility in Georgia to convert rods to tire cord for the growing market in steel-belted radial tires. The facility is managed and operated by a local concern. Steel rods are provided from other USS locations.

U. S. Steel's own-produced steel and certain non-steel products have long been marketed abroad through its international sales companies. Even though higher prices were generally realizable in 1973 from export sales of steel than from domestic sales, U. S. Steel continued to give primary emphasis to satisfying the requirements of its domestic customers: Exports accounted for 4.8% of steel sales in 1973 compared with 5.3% in 1972.

Chemicals

Revenues from the sale of chemicals totalled \$394 million in 1973, compared with \$310 million in 1972, and profit contribution was also greatly improved. Many of the basic raw materials for U. S. Steel's chemicals business are derived from coal chemicals.

A variety of industrial chemicals, tar products and plastics are produced and marketed by USS Chemicals. The demand for these products continues strong following virtually full operations throughout 1973. Significantly, all the new chemical and plastic resin facilities installed in recent years have attained or exceeded their design production capability. The improved cost-price relationships achieved in 1973 after a number of years of depressed prices, together with prospects for continued growth in demand, offer improved investment opportunities in this business.

Chemical fertilizers for farm and home use and raw materials for manufacturing explo-



Sears Tower in Chicago—110 stories and the world's tallest building. Steelwork was fabricated and erected by American Bridge Division.



In the continuing search for energy, Oilwell Division equipment is used extensively in drilling for petroleum in the Gulf of Mexico.

sives used primarily by the mining industry are produced and marketed by USS Agri-Chemicals. Over 90% of these products were sold in domestic markets in 1973. A full line of crop protection chemicals purchased from other producers is also sold by the division. Demand for fertilizer products increased significantly as the year progressed, with shortages developing for many. Prices moved sharply upward prior to the Government's price freeze on June 13, 1973 but were still markedly below export prices and also below domestic prices realized during the early Sixties. With domestic prices frozen and with these products in very short supply, it became apparent that a critical shortage was developing. To encourage maximum production and expansion of supply, and to encourage higher domestic sales instead of export sales by the industry, the Cost of Living Council exempted fertilizer products from price controls in October 1973. Since then, prices have moved upward toward export levels. With the projected worldwide shortage and the improved prospects for profitability of these products, consideration can now be given to further modernization and expansion of this business.

Other Materials

Revenues from sales of other materials including mined materials, principally iron ore, coal and limestone and manufactured materials, primarily cement, totalled \$332 million in 1973, compared with \$280 million in 1972.

Universal Atlas Cement Division (UAC) had record shipments in 1973 in response to record demand. Total cement shipments, including those of Bahama Cement Company, were 6.1 million tons. Even with maximized shipments by Universal Atlas and other cement producers, the shortage of cement that existed throughout 1973 became more pronounced.

In recognition of the supply shortages that had developed and were expected to continue, cement prices were exempted from controls in November 1973 to encourage expansion. Prices were increased by UAC January 1, 1974. With improved prospects for reasonable returns on investment, we are expediting the roundout and improvement of existing facilities to provide a rapid increase in capacity.

Orinoco Mining Company operated all units of its new high iron briquette plant during 1973, although output was restricted by the occurrence of several temporary problems for which solutions are being developed. The plant was formally inaugurated October 27 by the President of Venezuela. The operation is a direct reduction process converting ore to semi-reduced iron ore (sponge iron) in briquette form. Experiments conducted at Fairless Works have determined this product, originally intended primarily for use in blast furnaces, to be suitable as an electric furnace material in place of high cost scrap.

Other Products and Services

Revenues from other products and services constituted 6.5% of U. S. Steel's total products and services sold. These revenues were derived principally from home building products, machinery and equipment, transportation services, engineering and consulting services and sales and rental of properties.

Alside, Inc., a wholly-owned subsidiary primarily engaged in manufacturing and distributing steel and aluminum siding and other exterior building components, had another successful year in 1973. Despite a costly eleven-week strike, earnings exceeded 1972 results. Nominal price increases in late 1973 were the first in 2½ years. The company continued to grow by expanding its manufacturing facilities and distribution network. It began



Modern machinery is applying fertilizer from USS Agri-Chemicals to increase the nation's food supply.

an expansion of facilities in Puerto Rico to increase its production of fiberglass reinforced plastic cedar shake panels, with initial production expected by mid-1974.

Profits of USS Engineers and Consultants, Inc. (UEC), a wholly-owned subsidiary, increased over 1972. This company provides technical services worldwide to the mining, iron and steelmaking, chemicals and related industries. Since its formation in 1969, UEC has secured almost 400 consulting and licensing agreements with companies in 30 foreign countries and the United States.

USS Realty Development improved its profit considerably over 1972, primarily from sale of land in the Belleair-Clearwater (Fla.) area and receipt of additional rentals from shopping centers and industrial parks. Principal construction activity involved condominiums and townhouses in the Belleair-Clearwater area. Development of land and sale of lots continue in a recreation-oriented residential community at Swan Point in Charles County (Md.).

Investments in Other Companies

Domestic Companies

Percy Wilson Mortgage and Finance Corporation, a wholly-owned subsidiary, improved both its revenues and earnings over 1972. U. S. Steel Leasing Co., Inc. and U. S. Steel Credit Corporation, wholly-owned leasing and finance subsidiaries, increased their level of activities in 1973; however, profits were down somewhat reflecting increased costs of borrowed funds.

RMI Company, a 50% owned partnership, is a titanium metals producer. Although operating results improved, 1973 was another year of unsatisfactory over-all results for RMI.

Foreign Companies

In recent years U. S. Steel has acquired interests in a number of foreign operations,

and profits earned by most of these companies improved in 1973.

Steelmaking and Related Activities

U. S. Steel has a 27% ownership in Altos Hornos de Vizcaya, S. A. (AHV), an integrated steel producer in Spain which attained new sales records and increased profits in 1973. AHV's expanded hot strip mill facilities came on stream in mid-year and achieved design production rates in the fourth quarter.

Altos Hornos del Mediterraneo (AHM) (with combined direct and indirect U. S. Steel interest of 27%) is building a new integrated steel mill on the seacoast near Valencia, Spain. Contracts for the initial phase of construction, consisting of cold rolling and finishing facilities, have been awarded and start-up is anticipated in late 1975. Most of the steel to be produced at this plant is expected to be consumed in Spanish markets.

Metasa (54% USS ownership) is a Nicaraguan concern engaged in fabrication and erection of steel structures as well as production of galvanized sheets and pipe, roll-formed shapes and reinforcing bars for sale in Central



High-rise condominiums on Clearwater Bay and townhouses on the Gulf of Mexico on Sand Key near Clearwater (Fla.)—built and sold by USS Realty Development.

America. Intupersa (93% USS ownership), located in Guatemala, produces welded tubes and galvanized pipe. Sales and profits of both companies were up markedly in 1973.

Terninoss, an Italian company (50% USS ownership), produces stainless steel sheet, strip and plate products; earnings improved in 1973 and shipments were up 17% over 1972 with improved cost-price relationships.

A new blast furnace was started up in December 1972 by Acieries de Paris et d'Outreau (APO), a French producer of ferromanganese (27% USS ownership), and operated satisfactorily during 1973. Earnings for this company should improve now that the expansion is completed.

Raw Materials

The government of the Republic of Gabon, Africa purchased a 10% ownership in Compagnie Minière de l'Ogooué (Comilog), a manganese ore mining company in Gabon. U. S. Steel's ownership in this company, formerly 49%, is now 44%. Although 1973 earnings were adversely affected by the devaluation of the dollar, they continued at about the same level achieved in 1972. Price increases were made effective early in 1974.

Prieska Copper Mines (Pty.) Ltd., in South Africa (46% USS ownership), started operation of a plant for mining and processing copper and zinc concentrates on a commercial basis in late 1972. Progress was made toward bringing production facilities on stream, and shipments totalled nearly 58,000 metric tons of copper concentrates and about 30,000 metric tons of zinc concentrates. Attainment of rated capacity is anticipated in 1974.

P. T. Pacific Nikkel Indonesia (an Indonesian company) is proceeding with development work and engineering and economic evalua-

tions of the sizable deposit of nickeliferous laterites on Gag Island. U. S. Steel's present ownership in this venture is nearly 48%.

The preliminary study of the Serra dos Carajas iron ore project in the State of Pará, Brazil is progressing. U. S. Steel has a 49% interest through a subsidiary. Advanced engineering and related field work necessary to establish economic feasibility are continuing and are planned to be completed in 1974. Financing arrangements and final approval, as well as development of this mammoth ore deposit, will take several years.

U. S. Steel, directly and through affiliates, conducts exploration activities and feasibility studies related to potential mines on a worldwide basis. Minerals investigated included ores of iron, manganese, fluorspar, fertilizer minerals, copper, zinc, lead, nickel and cobalt, molybdenum, titanium, chromium, columbium, precious metals, and energy minerals such as uranium and fossil hydrocarbons.

Manufacturing

Brazaco-Mapri in Brazil and FHS Stahlverformung GmbH in Germany (about 80% and 73% USS ownership, respectively) manufacture fasteners and other cold formed products—primarily to serve automotive industries in the two countries. Sales and profits of both companies improved in 1973. Future growth prospects appear bright for these companies.

The new fertilizer plant of Zuari Agro Chemicals, Ltd., an Indian company 36% owned by U. S. Steel, initiated production and commercial shipments of urea in mid-1973. Start-up operations have progressed satisfactorily with the urea plant now producing at essentially its full design capacity. The ammonia facilities have attained 75% of capacity. The mixed fertilizer plant is not yet in operation.



Orinoco Mining Company's new iron ore crushing and screening facilities in Venezuela, shown here under construction, started up in late 1973. They provide consistently sized ore for blast furnace plants in the U. S., Venezuela and other world markets.

During the year, U. S. Steel acquired a 75% interest in Triangelier Daemmstoffwerk GmbH, a German company which manufactures molded floor covering materials for the auto industry and insulating materials for the auto and construction industries. Between 1968 and 1973 annual sales and earnings growth of this company were excellent, as are future growth prospects.

New Steel Labor Agreement

During March 1973, an Experimental Negotiating Agreement was reached by ten of the nation's major steel producing companies and the United Steelworkers Union, designed to avoid industry-wide work stoppages or lock-outs through July 1977. The Union retains the right to strike over local issues. This agreement provides, as a minimum: A wage increase of 3% for each of the three contract years; a one-time bonus of \$150 for each employee eligible as of August 1, 1974; and continuation of the existing agreement provision for cost-of-living wage adjustments. Collective bargaining issues unresolved by April 15, 1974 are to be submitted to binding arbitration by an impartial arbitration panel.

Because of the fear of a work stoppage at labor contract time every three years, it has long been the practice of customers to build massive steel inventories prior to the Steelworkers' contract deadline and to deplete them either during the subsequent strike period or after a new agreement has been signed. In addition, even though there has been no industry-wide strike since 1959, some customers have increasingly contracted with foreign suppliers for their steel needs to assure a continuity of supply and to supplement the building of inventories. Thus, penetration of imported steel into American markets has

surged in each contract negotiation year since 1956. Likewise, steel operations and employment have risen rapidly to very high levels before the contract deadline and then have dropped to very low levels afterwards—both very inefficient extremes. These conditions have been harmful to steel companies, employees, stockholders, steel communities and to the nation. We believe that this agreement, arrived at voluntarily by the parties, will be of great benefit in alleviating the undesirable conditions previously experienced.

In addition, the ultimate results from the 1974 negotiations under the experimental "no-strike" agreement will have an important bearing on future contract negotiations, not only in the steel industry but perhaps in other industries as well.

Safety

During 1973, U. S. Steel's continuing close attention to employee safety again reflected results substantially better than those for the rest of industry. Frequency of disabling injuries among employees in steel operations was less than one-fourth the rate of the steel industry as a whole and less than one-tenth the rate for all industry. National Safety Council recognition of our safety performance included eleven first place and ten second or third place awards in the Metals Section Contest for the year ended June 30, 1973.

In coal operations, for many years the frequency of disabling injuries has been less than one-tenth the rate for the industry as a whole, and has consistently been the lowest of all the major producers. Three of our coal mines topped all other underground coal mines in the national safety competition, with one earning the mining industry's highest safety award—"Sentinels of Safety". This was

the ninth time in the past ten years that a U. S. Steel mine has won the top award.

Productivity

Output per man-hour in steelmaking operations improved significantly in 1973 because of greatly increased volume, which has historically resulted in more effective utilization of facilities designed to produce high volumes,

and because of the joint efforts of employees and management to achieve productivity improvements. Recently installed facilities—some operating for the first time at high volume—also contributed substantially to improvements in output per man-hour.

U. S. Steel's concern about productivity, not only in our own operations but in all industries, has prompted a nationwide advertising program illustrating that "We're Involved" in the drive to fulfill the nation's needs for additional goods and services at reasonable costs. Our television, radio, magazine and newspaper messages are all emphasizing the need for improved productivity. Furthermore, U. S. Steel is publicizing what we are presently doing in our own plants and offices to improve productivity. The objective is to demonstrate that by working more diligently, more intelligently, with better cooperation and individual motivation, all Americans should benefit.

Productivity in coal operations continued to be hampered during 1973 by nearly 3,800 Government inspections made under the Federal Coal Mine Health and Safety Act. The number of such inspections seems excessive in view of prior and current safety achievements which have made our coal mines by far the safest in the industry. Since a number of the provisions of the Federal Coal Mine Health and Safety Act were already covered by safety measures previously installed by U. S. Steel, this Act has had less impact on our mines than on other coal producers. In addition, local work stoppages and high absenteeism by members of the United Mine Workers Union also reduced coal production in 1973. Achievement of increased coal production, essential in a period of energy shortage, will require a greater degree of cooperation among government agencies, industry, communities and employees and their union.

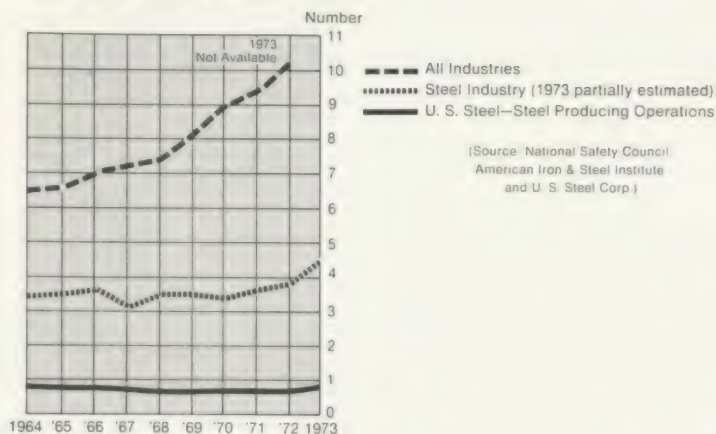
Selected Employee Benefits

(Dollars in Millions
Detail of Costs on page 26)

	1973	1972
PENSIONS		
Number of employees pensioned during the year	6,219	9,641
Number of pensioners or co-pensioners at year-end	70,333	68,018
Benefits to pensioners or co-pensioners	\$ 205.0	\$ 180.5
INSURANCE		
Life insurance in force at year-end for active and retired employees	\$2,491.3	\$2,396.6
Death benefits received by beneficiaries	\$ 25.7	\$ 24.4
Accident, sickness, hospital, surgical, in-hospital medical and major medical benefits paid to or for employees or their families	\$ 96.9	\$ 93.5
SAVINGS FUND PLAN FOR SALARIED EMPLOYEES		
Employee savings paid into savings fund	\$ 28.7	\$ 28.8
Participants—number at year-end	30,740	31,625
% of those eligible	94.5%	94.8%
Company contributions to savings fund:		
Applicable to employee savings	\$ 14.3	\$ 14.4
In lieu of additional vacations	\$ 3.5	\$ 5.8
U. S. Steel common stock held in fund for participants at year-end		
Number of shares	6,539,267	5,953,347
% of common shares outstanding	12.1%	11.0%

Safety

Number of Disabling Injuries
Per Million Man-Hours Worked



Congratulations to Henry Baude (Chicago), who retired on August 31, 1973 at age 77 after 61 years of continuous service with U. S. Steel—a record in which we all take great pride.



Research

U. S. Steel's strategy in research has undergone significant change in recent years. We are devoting more time and attention to research of direct and immediate use to customers and to research aimed at reducing the operating costs of existing processes and facilities. In addition, efforts are being made to increase sales of our technology to others wherever possible.

Working with container companies, U. S. Steel research helped to develop the "drawn and ironed" tin-plated steel can—one of the most important developments in the container industry in many years. This two-piece can features a one-piece body and bottom "drawn and ironed" from a steel disc. It is lighter and less costly than the conventional three-piece can, and it can be inexpensively and attractively decorated. This "can of the future" is now in production at our customers' plants and should be a major factor in continued competitiveness of steel in this important industry. Further research efforts are under way to enable the production of this can at lower cost from steels not having a tin coating.

U. S. Steel is participating in a study by the American Iron and Steel Institute to determine the feasibility of utilizing a high temperature, gas-cooled nuclear reactor as a source of energy. Heat generated by the reactor would be used in the direct reduction of iron ore or in other heating operations, and electricity generated could be used in electric steelmaking furnaces or for other purposes. Successful development of this process could substantially reduce the amount of other fuels consumed in steelmaking and thus help alleviate the energy shortage.

Significant research progress is being made on ways to utilize the extensive reserves of

high-sulfur coal, use of which is now limited by environmental considerations. One project involves determining the feasibility of converting high-sulfur coal to metallurgical coke, chemicals and clean-burning liquid and gaseous fuels. This research effort, announced in 1973 as a jointly-funded contract with the U. S. Government, has shown the project to be physically possible. Efforts are now directed to development of design criteria for a pilot plant.

Another project in connection with additional use of coal reserves as energy sources involves a pilot plant for producing clean gas by coal gasification. Preliminary work indicates the process can be made applicable to almost any coal and, by utilizing oxygen for gasification, can provide a product usable as a fuel gas and for chemical and metallurgical processes—thus replacing scarce natural gas and fuel oil. Upon successful completion of this work, it is intended that a large-scale demonstration pilot plant will be constructed. Commercial development of the "clean coke" and coal gasification processes would provide additional sources of environmentally acceptable energy for our nation from its most plentiful known source of energy—coal.

Capital Spending

U. S. Steel's major capital spending program, begun in the mid-Sixties, was primarily for modernization and replacement of facilities, raw material development and environmental control. Since 1965, \$4.1 billion has been spent. Added steel capacity is needed in this nation and, in view of the long lead times required to get new steel producing facilities into production, such expansion should be started at once. When prospects become apparent for a favorable return on investment, the necessary funds should become available and would be invested in additional capacity.

During 1973, U. S. Steel spent \$436 million for plant and equipment. Authorizations approved for new projects totalled \$486 million. At year-end the amount required to complete all remaining projects was \$760 million, about half of which was for raw materials facilities.

Stockholders and Shares— Common Stock

December 31, 1973

Registered in name of:	Holders	Shares
Individuals—Women	113,978	11,921,063
—Men	84,900	11,010,458
—Joint Accounts	82,291	7,524,532
Total Individuals	281,169	30,456,053
Nominees	1,655	15,728,874
Brokers	252	4,408,102
Others	28,012	3,576,433
Total	311,088	54,169,462

The number of registered holders of common stock decreased 14,382 during the year. No individual held of record as much as two-tenths of one percent of the common stock. Stock registered in the name of nominees, brokers and others is owned by insurance companies; charitable, religious and educational organizations of many types; pension funds; investment companies; trustees, custodians and estates; and others, including many individuals. 31,261 employee participants in the Savings Fund Plan for Salaried Employees are the beneficial owners of stock held by the Trustee of the Plan in the name of a nominee.

Major Projects Started Up in 1973 and Those Under Construction

(All tonnages are in net tons per year)

Major Projects Started Up in 1973

Raw Materials

Iron Ore Crushing and Screening Facilities—(Venezuela)
Coke Oven Battery Rebuild—(Pittsburgh, Pa.)

Steel Facilities

Continuous Bloom Caster—(Fairless, Pa.)
Three 200-ton Furnace Q-BOP Shop—Converted BOP—(Gary, Ind.)
Universal Plate Mill Improvements—(Chicago)

Major Projects Under Construction and Expected Years of Start-Up

Raw Materials

Iron Ore Expansion—5 million tons—(Venezuela)—1974
Coal Mine—4 million tons—(southwestern Pa.)—1974
Coal Mine—3 million tons—(central Ala.)—1974
Coke Oven Battery Rebuild—(Gary, Ind.)—1974
Mt. Wright Iron Ore—20 million tons—(Canada)—1975
Coke Oven Battery Replacement—(Gary, Ind.)—1975
Coal Mine—3 million tons—(southwestern Pa.)—1976

Steel Facilities

Blast Furnace—(Gary, Ind.)—1974
Two 200-ton Furnace Q-BOP Shop—(Fairfield, Ala.)—1974
Forged Product Facilities—(Pittsburgh, Pa.)—1974
Tin Plate Capacity Increase—(Pittsburgh, Cal.)—1974
Plate and Strip Mill Modernization—(Geneva, Utah)—1974
Rod Mill Modernization—(Pittsburg, Cal.)—1974
New Rod Mill—(Chicago)—1974
Billet Conditioning Facilities—(Chicago)—1975
Rod Mill Modernization—(Cuyahoga, Ohio)—1975
One 100-ton Electric Furnace—50,000 tons—(Chicago)—1975
Increased Billet Capacity—(Geneva, Utah)—1976

Other Facilities

Dust Control Facilities & Cement Capacity Expansion—78,000 tons—(Buffington, Ind.)—1974
New Preheater Cement Kiln & Dust Control Facilities—316,000 tons—(Leeds, Ala.)—1975
Coke Oven Gas Desulfurization Facilities—(Pittsburgh, Pa.)—1975
Waste Water Treatment Facilities—(Pittsburgh, Pa.)—1975
Lengthening of Three Lake Vessels—(Great Lakes)—1974-1975

Upper Right: This modern and efficient material handling facility on Lake Erie is owned and operated by the Pittsburgh and Conneaut Dock Company, a U. S. Steel subsidiary. It provides daily deliveries of iron ore and limestone to steel plants in the Pittsburgh and Youngstown areas.

Middle Right: Modern continuous coal miners help in our efforts to increase the supply of this important energy source. Our mines are the safest of the nation's major coal producers.

Lower Right: At Lorain Works (Ohio), top quality bars emerge from hot rolling facilities in the background to cool prior to further processing and shipment to customers.

Below: From molten steel to red-hot continuous slab in minutes at Texas Works (Baytown), this continuous caster provides slabs for the modern plate mill which serves growing markets in the Southwest.





The Northampton plant (N.Y.) of Universal Atlas Cement Division has a modern, efficient dust collection system, emitting only clean steam from the stack.



This high volume clarifier is an important unit of the waste water treatment plant at Pittsburgh Works (Cal.) providing clear discharge water which meets or exceeds all applicable water quality standards.

Environmental Control

U. S. Steel's program for environmental improvements progressed during 1973. Substantial expenditures continued for environmental control facilities and in 1973 amounted to \$42 million. The amount required to complete those under construction at year-end totalled \$118 million. In addition, annual operating costs for recently installed facilities are equivalent to about 12% of the investment cost.

The most difficult operation in which to control the emission of air and water contaminants continues to be that of cokemaking, but progress is being made. For example, stage charging—a U. S. Steel development for charging coal into coke ovens in sequence in predetermined portions—virtually eliminates emissions during coal charging. Another experimental project will involve constructing an enclosure on one side of a coke oven battery to determine its effectiveness in controlling emissions unavoidably generated during removal of the red-hot coke from the coking ovens—a part of the process for which technology to date has found no satisfactory answer.

Technologically advanced water treatment facilities being installed at the Clairton Works coke plant near Pittsburgh (Pa.) will remove almost all the impurities from process water before it is discharged. Facilities for additional desulfurization of coke oven gas are also under construction. For the next several years, a systematic and orderly major rehabilitation of coke oven batteries will require huge capital expenditures to improve the environment still further.

In steelmaking, environmental control facilities on the Q-BOP shops, which replace older open hearth furnaces at Gary (Ind.) and at Fairfield (Ala.), remove over 99% of the

particulate matter from waste gases generated in these operations.

Looking toward the future, U. S. Steel believes that cooperation among environmentalists, industries, communities, Federal, state and local governments is essential for arriving at practical solutions to remaining environmental control problems. Such solutions must encompass realistic timetables for implementation and the establishment of reasonable control standards mutually acceptable to all control agencies—an essential step to prevent economic waste resulting from installation of equipment which meets one set of standards but fails under criteria established or revised by others. We believe the time has come when environmentalists at all levels must carefully weigh the full costs of further pollution abatement against the probable benefits, particularly where elimination of the final insignificant percentage of contaminants may be several times as costly and use many times as much energy as eliminating the first 99%. The impact on jobs and on energy must also be carefully weighed.

Energy Use and Conservation

U. S. Steel is a producer, consumer and marketer of energy. Some two-thirds of U. S. Steel's net energy consumption is obtained from coal, more than two-thirds of which is mined by us. Nearly all the remaining energy comes from purchased natural gas, fuel oil and electricity. Energy usage, a major element of our total cost of production, has been and will continue to be the subject of study and research for more efficient use and thus greater conservation.

While U. S. Steel over-all may be less directly affected by the energy shortage than



"Before and After"—Top: Coal was charged simultaneously from four hoppers into coke ovens. Bottom: USS innovated "stage charging" of coal in four predetermined sequential amounts.



USS steels are helping to solve the nation's energy problems. This mammoth, ultra-modern, self-propelled, semi-submersible offshore drilling rig moves from site to site drilling for oil and gas.

most companies, we are affected by it. We share the national concern about finding means of utilizing available energy more efficiently and developing new sources of energy, and we have been and are doing something about it. For example, one of the benefits of installing advanced steelmaking and continuous casting facilities to replace open hearth and primary rolling facilities is the significant reduction in energy requirements. Since 1950 energy usage per unit of finished steel product has been reduced by about 15%. For many years special staffs at each steelmaking location have been continuously searching for more efficient use and less costly sources of energy. A central task force has over-all corporate energy conservation responsibilities.

In addition to U. S. Steel's energy-related research efforts, described on page 13, U. S. Steel is expanding available supplies of energy by developing three new coal mines, as previously discussed.

Ultimate solution of the nation's energy shortage, and of the attendant sharply rising costs, depends not only on the actions of individuals and industry but also on those of governments. In our view, government can help in many ways. For example: Environmental objectives must be balanced with the needs for energy development; realistic pricing of energy must be permitted to encourage development of new supplies; occupational safety and health restraints over energy supplies must not be eliminated but should be confined to essential matters; and government research funds should be utilized for development of new sources of energy such as nuclear breeder reactors, gas and oil from coal, development of shale and tar sands and, ultimately, solar energy, tidal energy and fuel cells. By determined efforts and cooperation, the nation's energy problem can and will be solved.

Reorganization

A realignment of certain management functions within U. S. Steel, principally involving steel and domestic raw materials, was announced in November 1973 and became effective January 1, 1974. The realignment is designed primarily to improve coordination between the production and sale of steel products and to place greater responsibility for profitmaking at the points where the production of the product and the sale and service to our customers take place.

A separate steel division, having the same autonomy for sales and production as several other divisions, has been established in each of four geographical areas: Eastern (headquartered in Pittsburgh), Central (Chicago), Southern (Birmingham) and Western (San Francisco). Each division is headed by a Vice President and General Manager, who reports directly to U. S. Steel's President. Centralized corporate staffs provide commercial, engineering, personnel and other staff services to the four steel divisions.

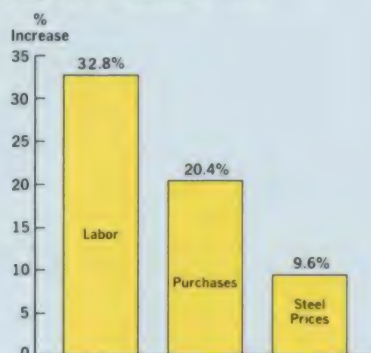
The functions of domestic raw materials production and lake shipping have been combined with raw materials sales and distribution under a Vice President and General Manager, who also has responsibility for energy planning.

Strategic corporate planning has been given new emphasis under a Vice President—Corporate Planning, who is responsible to the Office of the Chairman of the Board.

United States Steel Foundation, Inc. received \$8 million of U. S. Steel's total of \$10 million in contributions for educational and charitable purposes in 1973. The Foundation made grants totalling \$4 million for education, science and research, and \$500,000 for medical and health needs.

Unless steel profits will soon face a critical

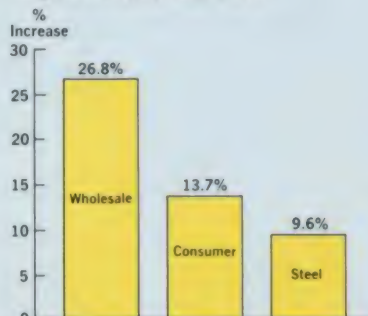
Chart I
Increases in Prices of Major Cost Components vs. Prices of Finished Steel Mill Products
July 1971-December 1973



Sources:

U.S. Department of Labor, Bureau of Labor Statistics
American Iron and Steel Institute
United States Steel Corporation

Chart II
Price Index Changes
July 1971-December 1973



Source:

U.S. Department of Labor, Bureau of Labor Statistics

Steel prices have remained at "bargain" levels during economic controls period.

- During past 2½ years, prices of major cost components in steel-making have risen much faster than steel prices. Rapidly rising sales volumes, with attendant short-term gains in productivity, have obscured this fact.
- For period July 1971, through December 31, 1973: (Chart I)
Hourly employment costs increased by 32.8%.
Prices of purchased products and services increased by 20.4%.
Price index of Finished Steel Mill Products increased by 9.6%.
- Steel price increase of 9.6% since July 1971 compares with 26.8% increase in Wholesale Price Index and 13.7% increase in Consumer Price Index (Chart II). (Steel costing \$100 in July 1971 cost \$109.64 at 1973 year-end; groceries costing \$100 in July 1971 cost \$126.29.)
- Many steel products now sell at much higher prices in world markets than in the U. S.
- Steel prices are at "bargain" levels despite record-breaking demand and all-out production during most of 1973. Much of U. S. Steel's cost increases for steel products during economic controls has not been reflected in higher prices.

Higher steel prices and productivity are necessary to justify additional capacity.

- In recent years, unattractive profit prospects have discouraged additional steelmaking capacity. Most capital spending has modernized or replaced existing facilities.
- Domestic producers will need 25 to 30 million tons additional raw steel capacity by 1980 to meet the nation's anticipated steel needs. In addition, almost as much capacity will need to be replaced.

improve, our nation shortage of steel capacity

- Steel industry's annual spending needs through 1980 to replace, improve and expand production and environmental control facilities are estimated at triple the level during 1970—1973.
- Because most steel facility construction requires 2 to 3 years, expansion should begin at once—but expansion can't be justified at today's price and profit levels.
- Although 1973 profitability improved for most steel companies, it was far below earlier years of comparable volume. Example: U. S. Steel's 1973 shipments slightly exceeded previous record year 1955, yet return on sales was about half the 1955 level (4.6% vs. 9.0%). (Chart III)
- Steel industry had lowest return on net worth of all manufacturing industries in 1971 and 1972. (1973 comparative results are not yet known.)
- Employment of unutilized capacity is not a realistic source of improved profit expectations because nearly all capacity is being used, and little is under construction.

Higher steel prices would be in nation's best long-run interests.

- Steel price increases will encourage new domestic capacity to meet the nation's growing needs for steel, thus helping minimize upward price pressures later when scarcity would be more severe.
- Building and using more steel capacity in this country will foster economic growth, create additional jobs, improve the balance of payments and strengthen national defense.
- At most, the Wholesale Price Index will increase one-tenth of one percent when steel price increases average 3%. (Chart IV)

Chart III
U. S. Steel
Shipments and Return On Sales
1955 vs 1973

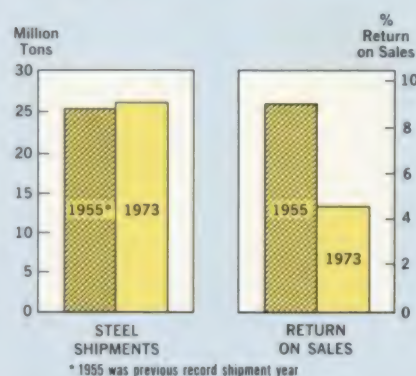
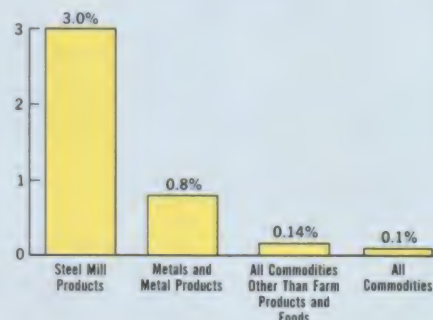


Chart IV
Effect of Each 3.0% Steel
Price Increase On Other
Wholesale Price Indices



Consolidated Statements of Income and Income Reinvested in Business

	1973	1972
SALES AND REVENUES		
Products and services sold	\$6,951,905,461	\$5,401,773,188
Interest, dividends and other income	<u>92,777,507</u>	<u>41,653,862</u>
	7,044,682,968	5,443,427,050
COSTS		
Employment costs		
Wages and salaries	2,301,959,397	1,996,611,382
Employee benefits (Note 9)	<u>467,885,122</u>	<u>400,687,779</u>
	2,769,844,519	2,397,299,161
Products and services bought	3,164,385,909	2,283,170,659
Wear and exhaustion of facilities	357,958,348	326,617,416
Interest and other costs on debt	96,141,780	81,843,670
State, local and miscellaneous taxes	<u>152,594,715</u>	<u>153,508,543</u>
Total costs other than United States and foreign taxes on income	<u>6,540,925,271</u>	<u>5,242,439,449</u>
	503,757,697	200,987,601
Provision for estimated United States and foreign taxes on income (Note 11)		
Currently payable	136,400,000	59,100,000
Timing differences	<u>41,600,000</u>	<u>(15,100,000)</u>
	178,000,000	44,000,000
INCOME	<u>\$ 325,757,697</u>	<u>\$ 156,987,601</u>
Income Per Common Share	<u>\$6.01</u>	<u>\$2.90</u>
INCOME REINVESTED IN BUSINESS		
Balance at beginning of year	\$1,952,398,964	\$1,882,079,743
Income	<u>325,757,697</u>	<u>156,987,601</u>
	2,278,156,661	2,039,067,344
Dividends declared		
On common stock (\$1.70 per share for 1973, \$1.60 per share for 1972)	<u>92,085,154</u>	<u>86,668,380</u>
Balance at end of year	<u>\$2,186,071,507</u>	<u>\$1,952,398,964</u>

Consolidated Statement of Financial Position



	Dec. 31, 1973	Dec. 31, 1972
CURRENT ASSETS		
Cash	\$ 252,785,694	\$ 213,511,153
Marketable securities, at cost (approximates market)	310,119,523	28,411,092
Receivables, less estimated bad debts	795,415,400	720,193,659
Inventories (see page 22 and Note 4 on page 25)	629,132,338	790,959,687
<i>Total</i>	<u>1,987,452,955</u>	<u>1,753,075,591</u>
<i>Less</i>		
CURRENT LIABILITIES		
Notes and accounts payable	573,031,368	437,322,277
Employment costs (except social security taxes)	449,564,891	425,373,328
Accrued taxes	340,490,998	299,400,400
Dividend payable	27,083,869	21,667,095
Long-term debt due within one year	14,407,995	12,873,954
<i>Total</i>	<u>1,404,579,121</u>	<u>1,196,637,054</u>
WORKING CAPITAL	582,873,834	556,438,537
Marketable securities, at cost (approximates market), set aside for plant and equipment additions and replacements	255,000,000	255,000,000
Investments in realty, leasing and finance operations	71,795,777	72,151,485
Long-term receivables and other investments, less estimated losses	261,510,077	209,448,296
Plant and equipment, less depreciation (details on page 23)	4,209,777,493	4,156,210,034
Operating parts and supplies	58,196,935	56,504,302
Costs applicable to future periods	74,801,414	67,619,422
TOTAL ASSETS LESS CURRENT LIABILITIES	5,513,955,530	5,373,372,076
<i>Deduct</i>		
Long-term debt, less unamortized discount (details on page 23)	1,420,312,767	1,515,566,095
Reserves (details on page 22)	100,276,769	100,276,769
Deferred taxes on income	182,210,627	180,046,388
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES	<u>\$3,811,155,367</u>	<u>\$3,577,482,824</u>
OWNERSHIP EVIDENCED BY		
Common stock (authorized 90,000,000 shares; outstanding 54,169,462 shares) Par value \$30 per share	\$1,625,083,860	\$1,625,083,860
Income reinvested in business	2,186,071,507	1,952,398,964
<i>Total</i>	<u>\$3,811,155,367</u>	<u>\$3,577,482,824</u>

Summary of Financial Operations

	1973	1972
ADDITIONS TO WORKING CAPITAL		
Income	\$ 325,757,697	\$ 156,987,601
Add—Wear and exhaustion of facilities	357,958,348	326,617,416
Deferred taxes on income	2,164,239	(51,236,929)
	<u>685,880,284</u>	<u>432,368,088</u>
Proceeds from sales and salvage of plant and equipment . . .	20,460,828	10,865,688
Increases in long-term debt due after one year	113,220,003	181,070,400
Total additions	<u>819,561,115</u>	<u>624,304,176</u>
DEDUCTIONS FROM WORKING CAPITAL		
Expended for plant and equipment	435,501,420	412,790,366
Increases in investments and long-term receivables	51,706,073	38,372,918
Dividends declared on common stock	92,085,154	86,668,380
Decreases in long-term debt due after one year	208,473,331	83,686,067
Miscellaneous deductions	5,359,840	15,254,010
Total deductions	<u>793,125,818</u>	<u>636,771,741</u>
INCREASE (DECREASE) IN WORKING CAPITAL . . .	<u>\$ 26,435,297</u>	<u>\$ (12,467,565)</u>
ANALYSIS OF INCREASE (DECREASE) IN WORKING CAPITAL		
WORKING CAPITAL AT BEGINNING OF YEAR	<u>\$ 556,438,537</u>	<u>\$ 568,906,102</u>
Cash and marketable securities	320,982,972	(31,586,687)
Receivables, less estimated bad debts	75,221,741	139,706,148
Inventories	(161,827,349)	(49,814,886)
Notes and accounts payable	(135,709,091)	(80,115,914)
Employment costs (except social security taxes)	(24,191,563)	3,203,180
Other payables	(48,041,413)	6,140,594
INCREASE (DECREASE) IN WORKING CAPITAL . . .	<u>26,435,297</u>	<u>(12,467,565)</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 582,873,834</u>	<u>\$ 556,438,537</u>

Details of Selected Items (dollars in millions)

INVENTORIES	Raw materials	Semi-finished products	Finished products	Supplies and sundry items	Total inventories
December 31, 1972	\$132.7	\$270.9	\$260.0	\$127.4	\$791.0
December 31, 1973	105.9	232.4	175.1	115.7	629.1

RESERVES	Deducted from:		Other			Total other
	Current receivables	Other investments	Reserve for insurance	Reserve for contingencies	Accident and hospital	
Balance December 31, 1972 ...	\$ 7.4	\$ 9.4	\$50.0	\$40.8	\$ 9.4	\$100.2
Additions	6.0	5.1	9.4	—	39.2	48.6
Deductions	2.7	1.8	9.4	—	39.2	48.6
Balance December 31, 1973 ...	\$10.7	\$12.7	\$50.0	\$40.8	\$ 9.4	\$100.2

Details of Selected Items (dollars in millions) (continued)



PLANT AND EQUIPMENT	Facilities (at cost)				Less depreciation and depletion			Net
	Land	Buildings	Machinery & equipment	Total	Buildings	Machinery & equipment	Total	
Balance December 31, 1972 ..	\$260.8	\$1,074.1	\$8,749.1	\$10,084.0	\$563.3	\$5,364.5	\$5,927.8	\$4,156.2
Additions	2.4	16.7	416.4	435.5	28.6	336.1	364.7†	70.8
Deductions	11.8	9.4	100.0	121.2	7.1	96.9	104.0	17.2
Balance December 31, 1973 ..	\$251.4	\$1,081.4	\$9,065.5	\$10,398.3	\$584.8	\$5,603.7	\$6,188.5	\$4,209.8

†Wear and exhaustion of \$358.0 million shown in the Consolidated Statement of Income comprises depreciation and depletion of \$364.7 million, less profit of \$6.7 million resulting from sales.

Depreciable lives are approximately: buildings 40 years, machinery & equipment—primary metals 18 years, mining 10½ years and chemicals 11 years.

LONG-TERM DEBT

LONG-TERM DEBT	Interest rates	Years of maturity	Outstanding		Change in the year		
			Dec. 31, 1973	Dec. 31, 1972	Increases	(Decreases)	
United States Steel Corporation							
Sinking Fund Debentures (Callable) ..	4	1983	\$ 114.8	\$ 135.0	\$ —	\$ (20.2)	
Sinking Fund Debentures (Callable) ..	4½	1986	138.1	165.0	—	(26.9)	
Sinking Fund Debentures (Callable) ..	7¾	2001	150.0	150.0	—	—	
Subordinated Debentures (Callable) ..	4½	1996	602.8	610.3	—	(7.5)	
Notes payable to banks†	—	—	—	140.0	—	(140.0)	
Long-term lease obligations relating to Industrial Development Revenue Bonds	3.50-5¾	1974-1988	92.4	95.4	1.8	(4.8)	
Installment purchase obligations relating to Environmental Improvement Revenue Bonds	3.30-5¾	1974-1998	73.9	27.5	46.4	—	
Mortgages and purchase money obligations	—	—	9.8	9.5	1.9	(1.6)	
Consolidated Subsidiaries							
Railroads First Mortgage Bonds (Callable)	27⁄8-3	1974-1996	8.6	8.8	—	(.2)	
Notes payable to banks‡	6-10	1974-1982	214.8	157.5	65.9	(8.6)	
Notes payable to others	7¾	1981-1985	12.3	10.4	1.9	—	
Swiss franc Bonds	5½	1983-1987	30.8	26.2	4.6	—	
Mortgages and purchase money obligations	—	—	15.8	16.9	—	(1.1)	
Total			1,464.1	1,552.5	122.5	(210.9)	
Less unamortized discount*			29.4	24.1	8.2	(2.9)	
			1,434.7	1,528.4	114.3	(208.0)	
Less amount due within one year			14.4	12.8	1.1	.5	
Long-term debt due after one year			\$1,420.3	\$1,515.6	\$113.2	\$(208.5)	

Exclusive of debt of realty, leasing and finance companies—see Note 2.

†Issued pursuant to an agreement providing a revolving credit of up to \$250 million at a rate varying with prime commercial rate. This debt was retired and the agreement was terminated in 1973. Bank lines of credit of \$200 million have been established by U. S. Steel. At the present time, there are no immediate plans of utilizing such lines of credit.

‡Includes \$100 million and \$56.5 million at December 31, 1973 and December 31, 1972, respectively, borrowed by Quebec Cartier Mining Company under a revolving credit of

up to \$100 million. The rate varies with prime commercial rate and at December 31, 1973 and December 31, 1972 was 9¾% and 6%, respectively. This debt may be converted at the option of the Company in 1975 into a four and one-half year term loan.

*Includes unamortized discount of \$22.2 million and \$24.1 million at December 31, 1973 and December 31, 1972, respectively, principally related to 4½% Subordinated Debentures and \$7.2 million unamortized net exchange loss at December 31, 1973 related to foreign currency borrowings, both of which are being amortized over the lives of the debts.

Notes to Financial Statements

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

- a. *Principles applied in consolidation*—Majority owned subsidiaries are consolidated, except those which are not considered material and realty, leasing and finance companies.
- b. *Investments*—Investments in realty, leasing and finance operations are carried at U. S. Steel's equity in the net assets and advances to such operations. Significant investments which represent 20% or more ownership in other companies are also carried on the equity basis. Other investments are carried at cost.
- c. *Inventories*—For the most part, inventories are carried at cost as determined under the last-in, first-out (LIFO) method which is below market. The remainder is carried at cost or market, whichever is lower. The LIFO method was first adopted in 1941 and extended in 1942 and 1947.
- d. *Foreign currency translation*—Current assets and current liabilities are translated at current exchange rates. Plant and equipment are translated at historic rates. Long-term payables and receivables are translated at current rates and the related adjustments are deferred and amortized over the lives of the respective items.
- e. *Income recognition*—Revenues from products and services and related costs are included in income when goods are shipped or services are rendered to the customer, except those related to construction projects which are accounted for on the completed contract method.
- f. *Wear and exhaustion of facilities*—For the most part, depreciation is computed on the straight-line method applied to the cost of assets classified in accordance with guideline procedures established by the Internal Revenue Service in 1962 and based on estimated useful lives established therein and is related to U. S. Steel's rate of operations. Proceeds from sales of facilities covered by such procedures are credited to income and the cost of the assets is charged to the reserve for depreciation. Assets retired are charged to the reserve for depreciation.
- g. *Facility improvements and maintenance*—Expenditures for renewals and betterments are charged to plant and equipment. Costs of repairs and maintenance are charged to operations when and as incurred.
- h. *Mineral exploration*—Exploration costs are expensed currently. When a potential mineral property has been determined to be a commercially feasible project, most expenditures to develop it are capitalized as part of the cost of the property.
- i. *Research and development and start-up of facilities*—Research and development and facility start-up costs are expensed when incurred.
- j. *Pensions*—U. S. Steel's pension costs are determined by an independent actuary, based upon various actuarial factors and an actuarial method under which both current and past service costs are funded over the future on a combined basis by payment into pension trusts. A portion of the appreciation in the market value of the assets of the pension trusts is taken into account in a systematic manner. From time to time actuarial factors are adjusted in the light of actual experience.
- k. *Timing differences related to income taxes*—Certain items of income and expense are recognized in different years for income tax and for financial accounting purposes. These timing differences result in the provision for taxes on income for financial reporting being more than or less than the taxes currently payable.
- l. *Investment credit*—For 1968 and thereafter, U. S. Steel has employed the flow-through method of accounting for investment tax credits, recognizing them in income in the year the related assets are placed in service. Deferred investment credits for 1967 and prior years are being amortized.
- m. *Income per share*—Income per share is calculated based on the weighted average number of shares outstanding.

Depletion of the cost of mineral properties is computed on the unit of production method based on estimated mineral reserves of the particular property.



2. INVESTMENTS

Investments in realty, leasing and finance companies are carried in the consolidated statements at U. S. Steel's equity in the net assets and advances to such operations and are summarized as follows:

	(In millions)	
	December 31	
	1973	1972
Realty, leasing and finance companies		
Cash, receivables and inventory . . .	\$275.7	\$233.6
Plant and equipment, less		
depreciation	7.4	2.8
Investments and other assets	11.2	8.4
Total assets	294.3	244.8
Less liabilities:		
Commercial paper and other		
current payables	226.8	190.7
Debt due after one year	26.1	20.8
Total equity	\$ 41.4	\$ 33.3

Income of realty, leasing and finance companies is summarized as follows:

	(In millions)	
	1973	1972
Sales and revenues	\$48.7	\$36.2
Cost of sales and operating expenses . .	25.7	20.2
Interest expense	18.3	9.8
Taxes on income	2.1	2.7
	46.1	32.7
Income	\$ 2.6	\$ 3.5

Other realty investments by U. S. Steel amounted to \$30.4 million and \$38.8 million at December 31, 1973 and December 31, 1972, respectively. Long-term receivables and other investments, less estimated losses, include investments also carried on the equity basis of \$178.4 million and \$140.1 million at December 31, 1973 and December 31, 1972, respectively.

U. S. Steel's equity in 1973 and 1972 net income of investments carried on an equity basis, including realty, leasing and finance companies, amounted to \$16.4 million and \$4.9 million, respectively, which is included in consolidated income as part of interest, dividends and other income. Dividends received from these investments amounted to \$9.5 million and \$3.3 million in 1973 and 1972, respectively.

Guarantees by U. S. Steel of the liabilities of realty, leasing and finance companies were \$99.8 million and \$77.6 million at December 31, 1973 and December 31, 1972, respectively. Guarantees of liabilities related to other companies, most of which are carried on an equity basis, were \$24.1 million and \$23.5 million at December 31, 1973 and December 31, 1972, respectively.

3. CASH

Included in cash are interest-bearing, short-term time deposits of \$118.2 million and \$69.9 million at December 31, 1973 and December 31, 1972, respectively.

4. INVENTORIES

As noted in the summary of principal accounting policies, for the most part, inventories are carried at cost as determined under the last-in, first-out (LIFO) method. Under that method, the current acquisition costs are estimated to exceed the inventory value at December 31, 1973 as shown in the Consolidated Statement of Financial Position by approximately \$650 million. However, it would be incorrect to assume that this before-tax amount can be realized since as a going concern a relatively constant quantity of inventory must be maintained for operations.

Because of the continuing high demand throughout the year, inventories of many steel-making materials and steel products were unavoidably reduced and could not be replaced during the year. Under the LIFO system of accounting, used for many years by U. S. Steel, the net effect of all the inventory changes was to increase income for the year by about \$16 million.

5. SECURITIES SET ASIDE FOR PLANT AND EQUIPMENT ADDITIONS AND REPLACEMENTS

At December 31, 1973 and December 31, 1972, completion of authorized additions to and replacements of facilities required an estimated further expenditure of \$760 million and \$710 million, respectively. At the end of 1973, \$255 million of marketable securities had been set aside to cover in part such authorized expenditures, the same as at the end of 1972.

6. RESERVES

U. S. Steel is, for the most part, a self-insurer of its assets against fire, windstorm, marine and related losses. The insurance reserve of \$50 million is held available for absorbing possible losses of this character, and is considered adequate for this purpose.

The reserves for contingencies and accident and hospital expenses of \$50.2 million, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

7. STOCK OPTION INCENTIVE PLAN

The Stock Option Incentive Plan approved by stockholders in 1964 terminated in February 1974 and all options have expired.

Notes to Financial Statements (continued)

8. PREFERRED STOCK

U. S. Steel is authorized to issue 20,000,000 shares of preferred stock, without par value. At December 31, 1973, none of this stock had been issued.

9. EMPLOYEE BENEFITS

The details of employee benefits are summarized as follows:

	(In millions)	
	1973	1972
Pension costs	\$ 90.0	\$ 73.5
Social security taxes	145.8	100.3
Insurance costs	133.6	130.5
Supplemental unemployment and extended vacation benefit costs*	24.8	27.1
Savings fund costs	15.3	15.3
Payments to industry welfare and retirement funds and other employee benefit costs	58.4	54.0
Total cost of employee benefits	\$467.9	\$400.7

*Excludes \$36.8 million and \$32.1 million in 1973 and 1972, respectively, for extended vacation benefits which are included as wages and salaries.

10. PENSION FUNDING

U. S. Steel's non-contributory pension provisions cover substantially all the employees for future retirement and the retired employees now receiving pensions, and in addition the contributory pension provisions cover participating salaried employees. Benefits are related to compensation and years of service. To qualify for any type of retirement under the non-contributory provisions requires at least 15 years of continuous service. Benefits are provided under various types of retirement such as the normal retirement at age 65, early retirement because of job elimination or disability, early retirement at employee's option after 30 years service or at age 60 with 15 years service and deferred vested age 40 or over. Other provisions include a minimum pension amount and surviving spouse's benefit.

Pension costs are determined by an independent actuary, based upon various actuarial factors and an actuarial method under which both current and past service costs are funded over the future on a combined basis by payment into pension trusts. From time to time actuarial factors are adjusted in light of actual experience. No changes were made in 1973 or 1972 in these actuarial factors except that, beginning August 1, 1972 added recognition was given to the appreciation existing in the value of the trust assets. This reduction in

pension costs, amounting to \$47.3 million in 1973 and \$19.2 million in 1972, was more than offset by the increased cost of improved pension benefits made effective during 1972. Trust assets exceed pension benefits vested under the plan.

11. TAXES

Total taxes payable for the years shown are detailed as follows:

	(In millions)	
	1973	1972
Income taxes currently payable		
United States	\$ 77.3	\$ 23.2
Foreign	59.1	35.9
Total	136.4	59.1
Social security taxes	145.8	100.3
Property taxes	104.6	113.1
Other state, local and miscellaneous taxes	48.0	40.4
Total payable	\$434.8	\$312.9

The provision for estimated United States and foreign taxes on income is as follows:

	(In millions)	
	1973	1972
Income taxes currently payable (see above)	\$136.4	\$ 59.1
Timing differences		
Current — United States	39.4	36.1
Non-current — United States	(.3)	(53.4)
Non-current — Foreign	2.5	2.2
Total	41.6	(15.1)
Provision for estimated taxes on income	\$178.0	\$ 44.0

The provision for estimated United States and foreign taxes on income differs from the taxes currently payable as shown above because certain items of income and expense are recognized in different years for income tax and for financial accounting purposes. In 1973 and 1972 amounts taken for tax purposes were greater than or less than amounts taken for financial accounting purposes with the following tax effect:

	(In millions)	
	1973	1972
Effect of tax over (under) book:		
Depreciation	\$ (26.8)	\$ (31.2)
Investment credit	33.8	(3.7)
Interest cost	24.7*	2.2
Pension costs	9.1	8.8
Other items	.8	8.8
Total timing differences	\$ 41.6	\$ (15.1)

*Primarily on Korean War Excess Profits Tax case.

The provisions for estimated taxes on income for 1973 and 1972, respectively, were 35.3% and 21.9% of income before taxes. The significant items contributing to the reduction from the Federal income tax rate of 48% were

Independent Accountant's Report

Notes to Financial Statements (continued)



statutory deductions associated with mineral production and investment credits.

Investment credits earned each year on facilities completed in the year and \$6.8 million amortization of the pre-1968 investment credit reduced the provisions for taxes on income by \$30.3 million in 1973 and \$23.5 million in 1972.

During 1973, U. S. Steel and the U. S. Government reached a mutual agreement for settlement of the long-standing controversy with respect to the Korean War Excess Profits Tax for all years in which that tax applied which will involve a payment for taxes and interest totalling approximately \$96 million. In view of provisions made in prior years the settlement had no effect on 1973 income.

The tax years 1954 to 1970 are in various stages of administrative or judicial review. The financial statements of U. S. Steel include reserves to cover possible additional tax assessments for the years subsequent to 1953.

12. LEASE COMMITMENTS

Rental expense amounted to \$85 million in 1973 and \$87 million in 1972. At December 31, 1973, U. S. Steel's future minimum rentals under noncancelable leases totalled \$261 million. Minimum annual rentals amount to \$62 million, \$41 million, \$24 million, \$21 million and \$19 million for 1974 through 1978, and thereafter average \$13 million for 1979 through 1983 and \$5 million for 1984 through 1988. Approximately 50% of such rentals involve ore

ship charters, 30% railway equipment and the balance covers a variety of facilities and equipment. Most long-term vessel charters include purchase options.

13. OTHER ITEMS

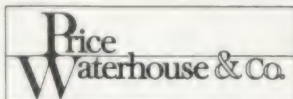
Sales and Revenues—Interest, dividends and other income includes gains on repurchase of debt securities of \$12.8 million in 1973 and \$14.5 million in 1972. These amounts were reclassified from interest and other costs on debt on the various schedules affected.

Costs—Wages and salaries totalled \$2,336.0 million in 1973 and \$2,029.4 million in 1972 of which \$2,302.0 million and \$1,996.6 million, respectively, were included in costs of products and services sold and the balances were charged to construction.

Products and services bought reflects the changes during each year in inventories and deferred costs. These items decreased approximately \$153 million and \$38 million during 1973 and 1972, respectively.

If the total of wages and salaries and of products and services bought were reclassified as costs of products and services sold and as general administrative and selling expenses, the amounts thereof would be \$5,216.6 million and \$249.7 million in 1973 and \$4,037.7 million and \$242.1 million in 1972, respectively.

Maintenance and repairs of plant and equipment totalled \$771.2 million in 1973 and \$637.7 million in 1972.



SIXTY BROAD STREET NEW YORK NEW YORK 10004 212-422-6000

To the Stockholders of
United States Steel Corporation:

February 13, 1974

In our opinion, the accompanying Consolidated Statement of Financial Position and related Statements of Income and Income Reinvested in Business and Summary of Financial Operations present fairly the position of United States Steel Corporation and subsidiaries at December 31, 1973 and December 31, 1972 and the results of operations and changes in working capital for each year, in conformity with generally accepted accounting principles applied on a consistent basis. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

U. S. Steel's Operating and Financial Story

SUMMARY OF OPERATING DATA (net tons in millions)

Year	Total ores mined	Total coal mined	Total coke produced	Total iron produced	Raw steel produced	Steel products shipped	Employment statistics			
							No. of employees	Weekly hours	Hourly earnings	Hourly employ- ment cost
1957	57.9	23.5	22.3	26.4	33.7	23.4	271,037	36.3	\$3.19	\$3.71
1958	39.8	16.8	15.1	18.1	23.8	17.0	223,490	34.2	3.50	3.87
1959	36.4	15.0	14.8	18.6	24.4	18.1	200,329	35.1	3.78	4.39
1960	50.2	18.0	16.6	21.2	27.3	18.7	225,081	34.8	3.68	4.30
1961	35.8	15.2	14.2	19.3	25.2	16.8	199,243	35.1	3.89	4.57
1962	37.7	13.5	13.1	18.9	25.4	17.8	194,044	35.0	4.01	4.62
1963	37.0	14.5	13.5	20.9	27.6	18.9	187,721	35.9	4.04	4.68
1964	44.9	17.0	15.6	25.2	32.4	21.2	199,979	36.8	4.08	4.74
1965	46.8	18.0	17.4	25.1	32.6	22.5	208,838	36.1	4.21	4.81
1966	48.1	18.0	17.7	25.7	32.8	21.6	205,544	36.3	4.29	5.01
1967	45.0	19.0	17.8	24.3	30.9	19.8	197,643	35.7	4.41	5.19
1968	44.2	18.0	17.5	25.3	32.4	22.5	201,017	35.8	4.69	5.57
1969	49.9	18.1	17.3	27.3	34.7	22.4	204,723	36.5	4.84	5.72
1970	55.1	19.6	17.6	25.8	31.4	21.0	200,734	35.8	5.05	6.11
1971	49.3	16.6	15.0	22.8	27.2	19.3	183,940	34.9	5.58	6.66
1972	45.8	16.5	16.2	24.8	30.7	20.8	176,486	36.0	6.11	7.34
1973	58.9	16.3	16.7	28.1	35.0	26.1	184,794	37.1	6.53	7.86

Production data, which are grouped in broad product classifications, include all production of the materials by the operating divisions and subsidiaries and exclude all materials purchased. The average weekly hours shown are

based on the average monthly number of employees receiving pay. Hourly employment cost includes hourly earnings, social security taxes, pensions, insurance and other employee benefit costs.

SUMMARY OF FINANCIAL OPERATIONS (change in working capital in millions of dollars)

Year	Additions					Deductions					Increase in working capital
	Income as reported	Wear and exhaustion of facilities	Deferred taxes on income	Increases in long-term debt	All other additions	For plant & equipment Total expenditures	Securities set aside	Decreases in long-term debt	Total dividends declared	All other deductions	
1963	203.5	307.8	—	—	13.4	244.7	30.0	62.8	133.4	5.5	48.3
1964	236.8	335.8	—	21.2	20.9	292.6	325.0	46.2	133.5	2.6	(185.2)
1965	275.5	324.5	—	1.8	22.4	353.6	—	42.1	133.5	30.8	64.2
1966	249.2	344.3	—	.3	28.7	440.7	—	73.6	119.1	55.7	(66.6)
1967	172.5	354.7	—	3.0	59.0	574.7	—	53.3	129.9	—	(168.7)
1968	253.7	253.1	172.2	433.7	8.5	697.4	—	61.4	129.9	12.4	220.1
1969	217.2	289.6	20.9	21.3	42.8	601.8	—	156.0	129.8	45.9	(341.7)
1970	147.5	296.5	28.1	37.0	11.5	514.5	(400.0)	71.5	130.0	41.1	163.5
1971	154.5	290.1	(57.9)	163.3	8.4	452.0	—	116.1	97.5	21.0	(128.2)
1972	157.0	326.6	(51.2)	181.1	10.8	412.8	—	83.7	86.7	53.6	(12.5)
1973	325.8	358.0	2.2	113.2	20.4	435.5	—	208.5	92.1	57.1	26.4



CONSOLIDATED STATEMENT OF INCOME (dollars in millions)

Year	Sales & revenues	Employment costs (1)	Products & services bought	Wear and exhaustion of facilities	Interest & other costs on debt	Income & other taxes (2)	Income		Per common share	Total dividends declared (3)	Reinvested in business
							Amount	% of sales			
1957	4,413.8	1,862.0	1,324.2	276.0	7.0	525.2	419.4	9.5	7.33	186.5	232.9
1958	3,472.1	1,488.5	1,085.6	204.9	11.5	380.1	301.5	8.7	5.13	186.6	114.9
1959	3,643.1	1,576.2	1,278.2	189.9	17.7	326.6	254.5	7.0	4.25	187.0	67.5
1960	3,698.5	1,700.0	1,091.2	208.4	16.9	377.8	304.2	8.2	5.16	187.2	117.0
1961	3,336.5	1,622.7	1,022.4	210.5	29.9	260.8	190.2	5.7	3.05	187.5	2.7
1962	3,501.4	1,608.3	1,192.4	265.9	37.9	233.2	163.7	4.7	2.56	160.5	3.2
1963	3,637.9	1,611.5	1,211.0	307.8	36.3	267.8	203.5	5.6	3.30	133.4	70.1
1964	4,129.7	1,795.0	1,404.8	335.8	34.7	322.6	236.8	5.7	3.91	133.5	103.3
1965	4,466.5	1,863.8	1,624.8	324.5	32.4	345.5	275.5	6.2	4.62	133.5	142.0
1966	4,438.8	1,916.0	1,559.0	344.3	60.7	309.6	249.2	5.6	4.60	119.1	130.1
1967	4,070.6	1,871.6	1,431.8	354.7	57.8	182.2	172.5	4.2	3.19	129.9	42.6
1968	4,616.0	2,055.9	1,766.1	253.1	73.9	213.3	253.7	5.5	4.69	129.9	123.8
1969	4,834.6	2,184.7	1,870.0	289.6	80.1	193.0	217.2	4.5	4.01	129.8	87.4
1970	4,893.0	2,250.5	1,969.1	296.5	76.3	153.1	147.5	3.0	2.72	130.0	17.5
1971	4,966.7	2,191.3	2,102.9	290.1	78.4	149.5	154.5	3.1	2.85	97.5	57.0
1972	5,443.4	2,397.3	2,283.2	326.6	81.8	197.5	157.0	2.9	2.90	86.7	70.3
1973	7,044.7	2,769.8	3,164.4	358.0	96.1	330.6	325.8	4.6	6.01	92.1	233.7

(1) Employment costs include pensions, social security taxes, insurance and other employee benefit costs.

(2) Excludes social security taxes which are included in employment costs.

(3) Includes \$25.2 million on 7% cumulative preferred stock in each year through 1965.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (dollars in millions)

Dec. 31	Working capital				Securities set aside for plant & equipment	Plant & equipment less depreciation	Other non-current assets (1)	Total assets less current liabilities	Long-term debt due after one year	Reserves & deferred taxes on income	Ownership (Stocks and income reinvested) (2)
	Cash and securities	Receivables and inventories	Less—current liabilities	Total working capital							
1963	857.4	920.8	766.6	1,011.6	330.0	2,743.6	180.7	4,265.9	769.6	117.1	3,379.2
1964	583.0	1,090.9	847.5	826.4	655.0	2,693.0	183.3	4,357.7	744.6	130.4	3,482.7
1965	764.2	986.4	860.0	890.6	655.0	2,714.1	212.6	4,472.3	704.3	143.1	3,624.9
1966	787.9	1,105.7	1,069.6	824.0	655.0	2,798.4	260.7	4,538.1	1,218.2	141.9	3,178.0
1967	430.7	1,241.3	1,016.8	655.2	655.0	3,010.3	236.2	4,556.7	1,167.9	168.1	3,220.7
1968	729.8	1,280.7	1,135.2	875.3	655.0	3,446.0	248.7	5,225.0	1,540.2	340.3	3,344.5
1969	349.0	1,516.2	1,331.6	533.6	655.0	3,721.9	288.9	5,199.4	1,405.5	361.3	3,432.6
1970	229.2	1,540.7	1,072.7	697.2	255.0	3,923.0	335.4	5,210.6	1,371.0	389.5	3,450.1
1971	273.5	1,421.3	1,125.9	568.9	255.0	4,077.9	355.1	5,256.9	1,418.2	331.5	3,507.2
1972	241.9	1,511.1	1,196.6	556.4	255.0	4,156.2	405.8	5,373.4	1,515.6	280.3	3,577.5
1973	562.9	1,424.6	1,404.6	582.9	255.0	4,209.8	466.3	5,514.0	1,420.3	282.5	3,811.2

(1) Includes investments, operating parts and supplies and costs applicable to future periods.

(2) Ownership in 1966 and subsequent years is applicable only to common stock; in prior years it also includes \$360.3 million par value of 7% cumulative preferred stock.

Combined Pension Trusts

United States Steel and Carnegie Pension Fund, Trustee

(A non-profit Pennsylvania membership corporation)

STATEMENT OF ASSETS

	Dec. 31, 1973	Dec. 31, 1972
Investments, at cost (less than aggregate market or estimated fair value) (details on page 31)	\$2,183,842,127	\$2,119,481,492
Cash	3,467,704	1,589,825
Accrued interest and other receivables	19,594,844	19,841,181
Contributions receivable	79,228,749	98,249,478
Payables	(2,019,787)	(588,224)
Assets	<u>\$2,284,113,637</u>	<u>\$2,238,573,752</u>

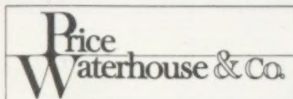
STATEMENT OF CHANGES DURING THE YEAR

	Year 1973	Year 1972
Balance at beginning of year	\$2,238,573,752	\$2,202,038,301
Additions		
From employing companies	89,993,765	73,529,903
From participating employees	7,729,667	7,559,480
Income from investments	131,273,542	122,991,842
Gain on disposition of investments	22,720,559	14,380,174
	<u>2,490,291,285</u>	<u>2,420,499,700</u>
Deductions		
Pension payments	204,968,236	180,547,174
Refunds to withdrawing employees	1,209,412	1,378,774
	<u>206,177,648</u>	<u>181,925,948</u>
Balance at end of year	<u>\$2,284,113,637</u>	<u>\$2,238,573,752</u>



SUMMARY OF INVESTMENTS

	Dec. 31, 1973	Dec. 31, 1972
Bonds, notes and debentures		
United States Government	\$ 35,896,704	\$ 34,364,430
Mortgage bonds of railroad subsidiaries of United States Steel Corporation	7,071,935	7,237,932
Other	617,828,155	622,409,722
	<u>660,796,794</u>	<u>664,012,084</u>
Preferred stocks	16,226,889	20,561,054
Common stocks	1,213,026,110	1,129,248,132
Mortgages	8,022,663	9,300,387
Oil, gas and other payments and royalties	513,660	1,368,956
Properties owned	285,256,011	294,990,879
Total investments, at cost	<u>\$2,183,842,127</u>	<u>\$2,119,481,492</u>



SIXTY BROAD STREET NEW YORK NEW YORK 10004 212-422-6000

To the Board of Directors of
United States Steel and Carnegie Pension Fund:

February 13, 1974

In our opinion, the accompanying Statement of Assets, Statement of Changes During the Year and Summary of Investments present fairly the financial position of the combined pension trusts administered by United States Steel and Carnegie Pension Fund as trustee at December 31, 1973 and December 31, 1972 and the changes therein during each year, in conformity with generally accepted accounting principles applied on a consistent basis. Our examinations of these statements were made in accordance with generally accepted auditing standards and included confirmation of the cash and investments owned at December 31, 1973 and December 31, 1972 by certificates obtained from the depositories and custodians, or by inspection, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Organization



Left to right—
Robert C. Scrivener, Edgar B. Speer,
John D. deButts, Charles F. Myers, Jr.



Left to right—
Henry S. Wingate, William McC. Martin, Jr.,
Donald B. Smiley, John M. Meyer, Jr.,
Harllee Branch, Jr.

Directors

- Roger M. Blough*†
Partner, White & Case; former Chairman of U. S. Steel
- Harllee Branch, Jr.*
Advisory Director and former Chairman of The Southern Company
- John D. deButts**
Chairman, American Tel. and Tel. Co.
- John H. Filer**
Chairman, Aetna Life & Casualty Company
- Edwin H. Gott*†
Former Chairman of U. S. Steel
- Thomas V. Jones
Chairman and President, Northrop Corporation
- William McC. Martin, Jr.*†
Former Chairman, Federal Reserve Board
- John M. Meyer, Jr.*†
Director and former Chairman, Morgan Guaranty Trust Company of New York
- George S. Moore
Financial Advisor; former Chairman, First National City Bank
- Charles F. Myers, Jr.
Chairman, Burlington Industries, Inc.
- Robert C. Scrivener
Chairman, Bell Canada
- Donald B. Smiley*
Chairman, R. H. Macy & Co., Inc.
- Henry S. Wingate*†
Director and former Chairman, The International Nickel Co. of Canada, Ltd.
- Leslie B. Worthington*
Former President of U. S. Steel
- Deceased:
H. I. Romnes, November 19, 1973
Robert C. Tyson, January 2, 1974
- Resigned:
Arthur A. Houghton, Jr., June 30, 1973

Officer—Directors

- Edgar B. Speer*†
Chairman of the Board
- R. Heath Larry*†
Vice Chairman of the Board
- Wilbert A. Walker*†
President
- David M. Roderick*†
Chairman of Finance Committee

*Member of Executive Committee

†Member of Finance Committee

*Member of Audit Committee

**Elected January 29, 1974

***Elected effective January 1, 1974



Left to right—
George S. Moore, Roger M. Blough,
John H. Filer, David M. Roderick



Left to right—
Leslie B. Worthington, Edwin H. Gott,
Wilbert A. Walker, R. Heath Larry

Officers

- John E. Angle
Executive Vice President and Assistant to President
- J. Robert Ferguson, Jr.***
Executive Vice President—Engineering and Research
- William H. Lang
Executive Vice President—Realty and Finance
- James L. Ortner
Executive Vice President—Accounting
- J. Donald Rollins
Executive Vice President—International
- John W. Todd, Jr.
Executive Vice President—Commercial
- Marion G. Heatwole
General Counsel
- Merrill L. Heald
Secretary and Assistant General Counsel
- Bracy D. Smith
Vice President and Comptroller
- W. Bruce Thomas
Vice President and Treasurer



United States Steel Corporation

Vice Presidents and General Managers

Haran W. Bullard	Southern Steel Division
J. Michael Curto	Eastern Steel Division
William E. Haskell	Central Steel Division
Ralph W. Seely	Western Steel Division
Thomas W. Hunter	Raw Materials & Lake Shipping

J. D. McCall	Group Vice President
--------------	----------------------

Vice Presidents

Dale L. Armstrong	J. Bruce Johnston
Marcus J. Aurelius	William P. Jones
Christian F. Beukema	Edward C. Logelin
Dennis J. Carney	Wilbur L. Lohrentz†
Robert C. Colbaugh, Jr.	J. Tucker MacKenzie
Jesse F. Core	Earl W. Mallick
William W. Crawford	Albert A. Monnett, Jr.
Stephen P. Curtis	Edward C. Myers*
Boyd P. Doty, Jr.	Raymond D. Ryan
William L. Fader	Jack R. Scott
Francis M. Goodwin, Jr.	J. Warren Shavert†
Joseph M. Greer	Robert W. Smith
Harold C. Haase	C. Thomas Spivey
Robert O. Hawkanson	James F. Traa
Phillips Hawkins	Kenneth L. Vore
C. Allen Headlee	William G. Whyte

*and Assistant to Vice Chairman
†Administrative Vice President

Assistant General Counsel

Charles G. Schwartz

TRANSFER AGENTS—COMMON STOCK

Offices of the Corporation
71 Broadway, New York, N.Y. 10006
600 Grant Street, Pittsburgh, Pa. 15230
208 South LaSalle Street, Chicago, Ill. 60690

REGISTRARS—COMMON STOCK

Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N.Y. 10015
Mellon Bank N.A.
Union Trust Building, Pittsburgh, Pa. 15219

Divisions

American Bridge Division
600 Grant Street, Pittsburgh, Pa. 15230
Oilwell Division
2001 North Lamar Street, Dallas, Texas 75202
United States Steel Homes Division
2549 Charlestown Road, New Albany, Ind. 47150
United States Steel Products Division
600 Grant Street, Pittsburgh, Pa. 15230
United States Steel Supply Division
13535 South Torrence Ave., Chicago, Ill. 60633
Universal Atlas Cement Division
600 Grant Street, Pittsburgh, Pa. 15230
USS Agri-Chemicals
30 Pryor St. S.W., Atlanta, Georgia 30301
USS Chemicals
600 Grant Street, Pittsburgh, Pa. 15230
USS Realty Development
600 Grant Street, Pittsburgh, Pa. 15230

Principal Subsidiaries

Alside, Inc.
P.O. Box 1261, Akron, Ohio 44309
Bahama Cement Company
P.O. Box F-100, Freeport, Grand Bahama Island
Bessemer and Lake Erie Railroad Company
P.O. Box 536, Pittsburgh, Pa. 15230
Birmingham Southern Railroad Company
Parker Building, Fairfield, Ala. 35064
Carnegie Natural Gas Company
3904 Main Street, Munhall, Pa. 15120
Duluth, Missabe and Iron Range Railway Co.
Missabe Building, Duluth, Minn. 55802
Elgin, Joliet and Eastern Railway Co.
P.O. Box J, Chicago, Ill. 60690
Navigen Company
P.O. Box N-7794, Nassau, Bahama Islands
Navios Corporation
P.O. Box N-7796, Nassau, Bahama Islands
Ohio Barge Line, Inc.
P.O. Box 126, Dravosburg, Pa. 15034
Orinoco Mining Company
Apartado 2736, Caracas, Venezuela (Caracas Office)
Percy Wilson Mortgage and Finance Corporation
221 North LaSalle Street, Chicago, Ill. 60601
Quebec Cartier Mining Company
Port Cartier, Province of Quebec, Canada
Union Railroad Company
P.O. Box 536, Pittsburgh, Pa. 15230
United States Steel International (New York), Inc.
100 Church St., New York, N.Y. 10008
United States Steel International, Ltd.
100 Church St., New York, N.Y. 10008
USS Engineers and Consultants, Inc.
600 Grant St., Pittsburgh, Pa. 15230
U. S. Steel Credit Corporation
71 Broadway, New York, N.Y. 10006
U. S. Steel Leasing Co., Inc.
71 Broadway, New York, N.Y. 10006
Warrior & Gulf Navigation Company
P.O. Box 11397, Chickasaw, Ala. 36611

PRESIDENT

J. H. Long
J. E. Chenault, Jr.
R. E. McDaniel
W. C. French, Jr.
E. L. Simanek
J. E. Taylor
J. M. Hoerner
D. J. MacLennan
J. R. Dembeck

J. J. Kaufman
J. E. Jenks
M. S. Toon
C. D. Cotten, Jr.
T. H. Evans
M. S. Toon
M. S. Toon
J. S. Martin
J. S. Martin
T. Marshall
S. H. Cohlmeier
R. H. Wilson
L. J. Patterson
M. S. Toon
J. B. French
J. B. French
G. A. Jedenoff
W. B. Thomas
W. B. Thomas
T. Marshall



A worldwide supplier of materials and services



IRON ORE



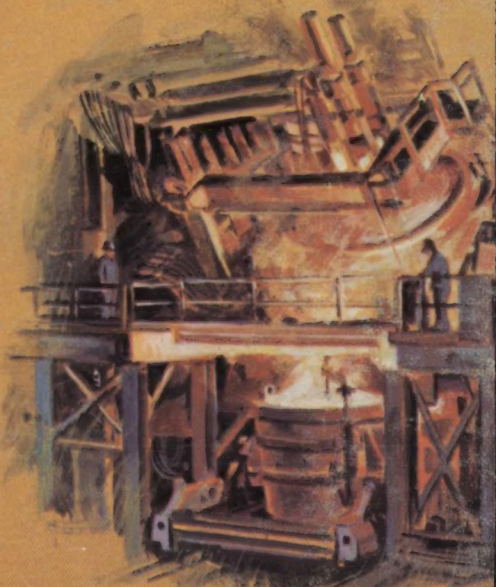
COAL



LIMESTONE



STEEL PRODUCTS



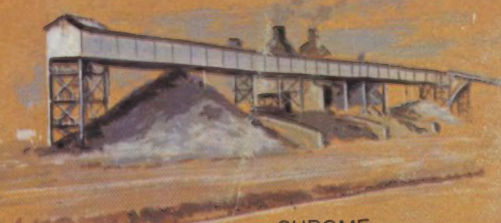
MANGANESE ORE



COPPER



ZINC



CHROME

L. HAGER